



ASX Announcement

Company Announcements Office
Australian Securities Exchange

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30 January 2012

(ASX Code GRK)

Quarterly Activities Report

for the three months ending 31 December 2011

Highlights

- **Green Rock and New World Energy join forces to dominate Mid West geothermal potential**
- **Green Rock invited to submit funding application for Mid West Geothermal Power Project under Emerging Renewables Program**
- **Deepening of Lawford #1 well in EP 417 in the Canning Basin completed - Green Rock earns 15% interest in the permit**
- **Permit concession process commences for Geothermal JV with MOL in Hungary**

CORPORATE

Annual General Meeting

The 2011 Annual General Meeting was held on 15 November 2011.

The business before the meeting consisted of 6 resolutions all of which were approved by a show of hands. The resolutions approved were:

- the adoption of the Remuneration Report
- the re-election of Dr Jörg Baumgärtner as a Director
- the issue of share incentive options to Directors Richard Beresford, Adrian Larking and Dr Jörg Baumgärtner, and
- the ratification of options granted to Cygnet Capital

Non Renounceable Entitlements Issue

On 21 November 2011 the Company advised that a pro-rata non-renounceable entitlement issue of one (1) New Share for every three (3) shares held at the record date of 30 November 2011 would be made to shareholders of the Company at an issue price of 0.9 cents per share to raise approximately \$2,031,241 . In addition that one (1) free Option would be granted for every New Share issued, exercisable at 3.6 cents on or before 31 March 2013. The offer was fully underwritten by Cygnet Capital Pty Ltd pursuant to an Underwriting Agreement.

The funds sought through the rights issue were to provide working capital to progress existing geothermal and hydrocarbon projects, to assess and progress potential new opportunities and to fund the issue costs associated with the offer.

A termination event in the Underwriting Agreement occurred over the period 2- 4 January 2012 and Cygnet Capital advised the Company that it intended to rely on that event to terminate the Underwriting Agreement.

In light of this and the low take up of shareholder entitlements, the Company elected to withdraw the offer. All application proceeds received by the Company have been refunded to shareholders.

Following Cygnet Capital's termination of the Underwriting Agreement and given current capital market conditions, the Board is reconsidering the timing and extent of the Company's capital requirements particularly in light of its ongoing cost reduction initiatives.

Cost Reduction

The Company advised on 4 January 2012 that with effect from 1 December 2011 it had restructured the employment arrangements relating to the Managing Director Richard Beresford and the Technical Director Adrian Larking. The arrangements going forward for both Mr Beresford and Mr Larking will be flexible time-writing contracts with a cap on total monthly costs set substantially below present levels of remuneration.

It is expected by the Board that this more flexible style of engagement will enable the Company to progress its priority projects at reduced cost.

The Board continues to examine all opportunities to progress priority projects in a low cost manner.

PROJECTS

Mid West Geothermal Power Project

On 4 August 2011 Green Rock announced the execution of a binding Memorandum of Understanding (MoU) with leading Australian renewable energy company Pacific Hydro to cooperate on the development of power projects based on geothermal exploration permits and licences held by the companies in the North Perth Basin ("NPB") in the Mid West region of WA and the Great Artesian Basin ("GAB") in South Australia. Initial power projects of at least 25MW are contemplated in both the NPB and the GAB.

The agreement defines the key steps towards first power production and the rights and obligations of Green Rock and Pacific Hydro. The parties have jointly developed an Information Memorandum (IM) for the two projects directed at potential upstream 'farm-in' partners to substantially fund drilling of the wells required to prove up the conventional geothermal resource. The IM will be marketed globally through Green Rock's, Pacific Hydro's and their advisers' networks.

Subsequent to the signing of the MoU with Pacific Hydro the Company announced, on 31 October 2011, the execution of a binding agreement with New World Energy Pty Ltd to jointly develop both companies geothermal exploration permits (GEPs) in the North Perth Basin in the Mid West region of Western Australia. A map of the combined permit areas is attached.

This agreement will give the joint venture the dominant position for geothermal power development in the Mid West which is the fastest growing electricity market in the State. Magnetite mining and processing projects in the region will require many hundreds of Megawatts of baseload electricity over the coming years

New World Energy is an unlisted dedicated geothermal energy exploration and development company based in Perth and focussed on Australia and the Asia-Pacific region. The company is the largest geothermal energy landholder in WA with permits covering the prospective areas in the Pilbara and Mid West regions, and is actively acquiring significant projects throughout the Asian ring of fire. In September 2011 it announced the acquisition by its Philippines subsidiary Geoenergy Inc of five high-potential geothermal projects in the Philippines.

Currently Green Rock has 100% interests in 9 GEPs in the North Perth Basin and New World Energy has 100% interest in 8 GEPs. The agreement contemplates the parties joint venturing across all the Permits subject to certain conditions being met:

- Green Rock and New World Energy being satisfied that the work programs and conditions imposed by the Government for the Permits, as may be amended, for the New World Energy Permits and Green Rock Energy Permits respectively are acceptable to each of them
- Green Rock and New World Energy being satisfied with arrangements between them for recovery of past expenditures on the Permits

- New World Energy agrees to the terms of the MoU between Green Rock and Pacific Hydro which includes the Mid West Geothermal Power Project, and Green Rock procures Pacific Hydro consent to farm-out Permit interests to New World Energy

Green Rock will be the initial operator of the joint venture.

The agreement gives Green Rock exposure to a much larger resource footprint and a second potentially attractive drilling target area while reducing its expenditure commitments to explore and develop geothermal resources. The joint venture will focus on identifying the most prospective drilling target for drilling two wells with the objective of an initial ~5MW of power generation capacity connected to existing power infrastructure.

Green Rock considers the Mid West Geothermal Power Project a strong contender for State and Commonwealth funding towards drilling the first two wells. Working jointly with New World Energy further strengthens Green Rock's prospects for Commonwealth funding.

The mutually beneficial joint venture will create a single entity with access to the best geothermal areas in WA that are adjacent to transmission infrastructure and major baseload energy markets. This collaboration will allow both companies to pool their technical and financial resources to ensure the most timely and cost effective geothermal development.

Work continues on mapping the distribution of natural matrix and fracture permeability within these regions of highest heat flows with a view to selecting suitable drilling locations near existing power transmission lines for easy access to market. This work includes analysis of 3D seismic in these regions to map geological stratigraphy, structure and natural fracture patterns, analysis of data from petroleum wells to detect open fractures in relation to the existing structures and stratigraphy and the sub-surface stress field and collaboration in an MT research survey with the IESE at University of Auckland and Adelaide University.

This area has been an active petroleum exploration and production province with 135 petroleum wells drilled within our permit area. The extensive well and geological information provides a strong foundation for locating and designing geothermal wells, and drilling in the area is expected to be relatively straightforward.

Green Rock continues to cooperate with other petroleum and geothermal companies which are actively exploring in the Perth Basin for oil, tight gas and shale gas to form a consortium to secure a suitable drilling rig to be active in mid 2012.

In early December the Company announced that, following submission in September 2011 of an Expression of Interest for funding from the Commonwealth Government's \$126 million Emerging Renewables Program, it has now been invited to submit a Project Funding Application for the Mid West Geothermal Project

In announcing the new Emerging Renewables program on 8 August 2011, Minister Martin Ferguson stated that about one third of the \$126 million fund is expected to go to geothermal projects.

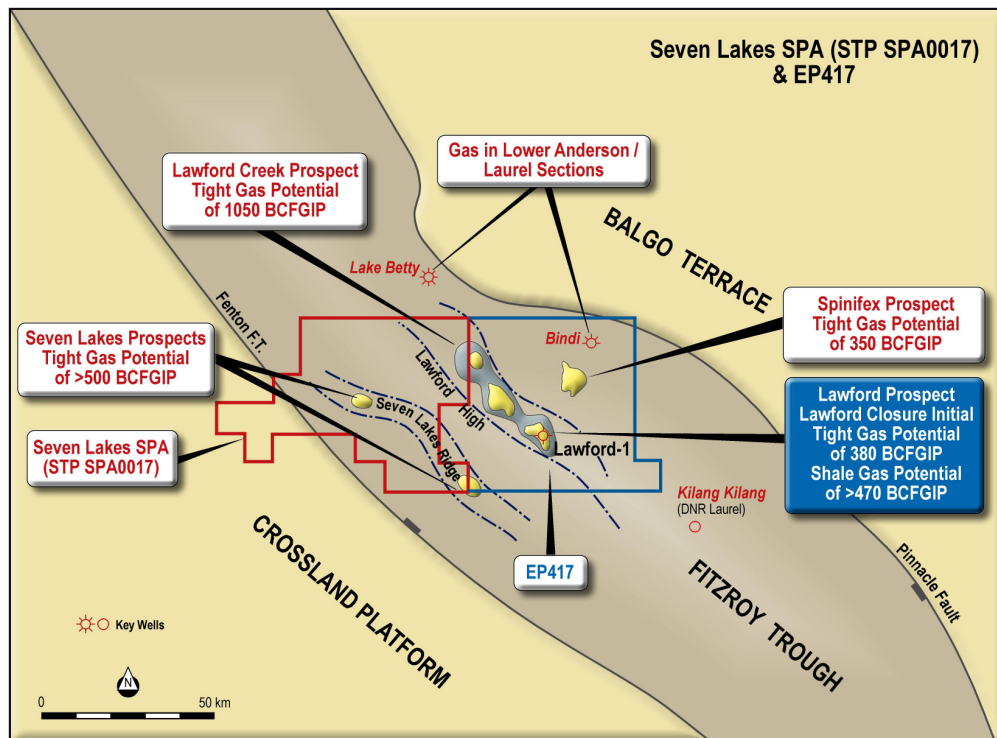
While the Commonwealth Government's invitation to submit a funding application cannot be construed to imply that funding will be offered, Green Rock considers that the Mid West Geothermal Power Project is a strong candidate for funding support.

Canning Basin hydrocarbon farm-in and Area of Mutual Interest Agreement with New Standard Energy (NSE)

Green Rock has successfully earned 15% interest in EP417 by funding 27.5% of the first \$4.0 million of costs and 15% of further well costs in the process of deepening Lawford #1. The Company has the right to increase its interest in EP417 by funding 22.5% of the first \$10 million of the costs of drilling a second well and 20% of any further costs such that after the completion of the earning phase of this farm-in arrangement, Green Rock will have a 20% interest in permit EP417.

Through the establishment of an up stream alliance with New Standard Energy the company has moved to secure additional acreage through the granting of a Special Prospecting Authority (SPA) for the Seven Lakes area in the Canning Basin. In this new acreage, Green Rock will have rights to a 40% interest.

Recent exploration success in the Canning Basin by Buru Energy Limited and the interest in the area being shown by international conglomerates such as Mitsubishi and Conoco-Phillips reinforce the value inherent in our position.



Map of Laurel Project including the Seven Lakes SPA, EP417 and various prospective targets (courtesy of NSE)

Deepening of Lawford #1 Well

Deepening of the Lawford #1 well commenced on 27 August. On 24 October the EP417 joint venture partners (Green Rock Energy, New Standard Energy and Buru Energy) agreed to revise the target depth of the Lawford #1 well to the then current depth (2,690 metres) and as a result to log, plug and abandon the well with the Century Rig #7 then released to Buru without the Laurel Formation being intersected and evaluated.

At its final depth the well was drilling in clay stones and red beds of what is interpreted to be the Lower Anderson Formation and encountered slow drilling due to very hard and abrasive formations. Based on the slow drilling progress, thicker than expected Anderson Formation in this location leading to geological uncertainty about the depth of the target Laurel Formation, depth limitations of the rig and the lack of significant hydrocarbon shows, the joint venture partners decided to terminate the drilling of the well. Well logs and a Vertical Seismic Profile (VSP) were run before the well was plugged and abandoned. Interpretation of the VSP and logs will result in an improved understanding of the geology of the area

The Laurel Formation is present below the Anderson Formation in all wells drilled to sufficient depth within the Fitzroy Trough and as a result is still expected to be present across EP417 and the Lawford Ridge. The Lawford #1 deepening indicates that the Laurel Formation is at a significantly greater depth on the Lawford Ridge than indicated by previous geological modeling. As a result the Laurel Formation will remain untested in the basin centre of the Fitzroy Trough with the overall hydrocarbon prospectivity remaining, albeit at greater than expected depths. Subsequent analysis of logging and seismic data has indicated that the top of the Laurel Formation is expected to be at around 3,000 metres.

The deepening of the Lawford #1 well fulfills the immediate work commitments across EP417 and enables its continued retention.

The EP417 and Seven Lakes SPA joint venture partners currently intend to conduct further geoscience studies on both acreage areas over the next 12 to 24 months ahead of any further drilling activity. This work will involve both basin centre targets as well as basin margin prospects similar to those being pursued elsewhere in the Fitzroy Trough

In the intervening time the joint venture partners will benefit from data obtained from an acceleration of exploration drilling and appraisal activity in the region via the joint venture between Buru and Mitsubishi. This appraisal activity will continue to define the geological understanding of the Laurel play across the region.

Hungarian Geothermal JV with MOL

In Hungary our 50% owned geothermal developer Central European Geothermal Energy Company Ltd (CEGE) is preparing for the first geothermal concession tenders in Hungary which are

anticipated to be issued in the first quarter of 2012. Public comment on the Environmental Impact Assessment of the target concession area closed on 15 January 2012.

From the work undertaken to date including well testing, both MOL and Green Rock are of the view that an economic geothermal resource exists in the area of focus. Data acquired from the well now owned by CECE indicate a geothermal reservoir capacity expected to be capable of supporting several MW of power generation capacity.

Subject to securing the concession, project activity will step up in 2012 with first power production around a year after the drilling of a second well has been completed. Green Rock will seek to fund a large part of its interest from European investors.



Nigel Hodder
Company Secretary

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ATTACHMENT: GREEN ROCK ENERGY & NEW WORLD ENERGY
MID WEST GEOTHERMAL EXPLORATION PERMIT AREAS

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